

Hammars Hill Energy Limited
Report of the Directors and
Financial Statements
for the Year Ended 31 December 2018

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for the year ended 31 December 2018

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Hammars Hill Energy Limited
Company Information
for the year ended 31 December 2018

DIRECTORS: A B Gray
N C Gray
R Gauld
Mrs S M Shearer
D A Heddle

SECRETARY: Mrs S M Shearer

REGISTERED OFFICE: Ridgeways
Back Road
Stromness
Orkney
KW16 3DS

REGISTERED NUMBER: SC301103 (Scotland)

AUDITORS: Foubister & Bain (Statutory Auditor)
4 Broad Street
Kirkwall
Orkney
KW15 1NX

**Report of the Directors
for the year ended 31 December 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

A B Gray
N C Gray
R Gauld
Mrs S M Shearer
D A Heddle

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Foubister & Bain (Statutory Auditor), will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

Mrs S M Shearer - Director

7 May 2019

**Report of the Independent Auditors to the Members of
Hammars Hill Energy Limited**

Opinion

We have audited the financial statements of Hammars Hill Energy Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

**Report of the Independent Auditors to the Members of
Hammars Hill Energy Limited**

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Charles Flett (Senior Statutory Auditor)
for and on behalf of Foubister & Bain (Statutory Auditor)
4 Broad Street
Kirkwall
Orkney
KW15 1NX

7 May 2019

Hammers Hill Energy Limited (Registered number: SC301103)

**Income Statement
for the year ended 31 December 2018**

2017 £		Notes	2018 £
2,079,956	TURNOVER		1,803,766
249,146	Cost of sales		275,975
<u>1,830,810</u>	GROSS PROFIT		<u>1,527,791</u>
856,331	Administrative expenses		850,227
974,479	OPERATING PROFIT	4	677,564
2	Interest receivable and similar income		80
<u>974,481</u>	PROFIT BEFORE TAXATION		<u>677,644</u>
176,723	Tax on profit		134,590
<u>797,758</u>	PROFIT FOR THE FINANCIAL YEAR		<u>543,054</u>

The notes form part of these financial statements

Hammars Hill Energy Limited (Registered number: SC301103)

**Balance Sheet
31 December 2018**

2017			2018	
£	£		£	£
4,015,592		FIXED ASSETS		
		Tangible assets	5	3,713,037
		CURRENT ASSETS		
	650,631	Debtors	6	623,744
	469,362	Cash at bank		516,598
	<u>1,119,993</u>			<u>1,140,342</u>
		CREDITORS		
	448,278	Amounts falling due within one year	7	366,526
		NET CURRENT ASSETS		<u>773,816</u>
		TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,486,853</u>
437,000		PROVISIONS FOR LIABILITIES		430,000
<u>4,250,307</u>		NET ASSETS		<u>4,056,853</u>
		CAPITAL AND RESERVES		
3,876,359		Called up share capital		3,876,359
373,948		Retained earnings		180,494
<u>4,250,307</u>		SHAREHOLDERS' FUNDS		<u>4,056,853</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 7 May 2019 and were signed on its behalf by:

A B Gray - Director

The notes form part of these financial statements

Hammars Hill Energy Limited (Registered number: SC301103)

**Statement of Changes in Equity
for the year ended 31 December 2018**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	3,876,359	661,571	4,537,930
Changes in equity			
Total comprehensive income	-	797,758	797,758
Dividends	-	(1,085,381)	(1,085,381)
Balance at 31 December 2017	3,876,359	373,948	4,250,307
Changes in equity			
Total comprehensive income	-	543,054	543,054
Dividends	-	(736,508)	(736,508)
Total transactions with owners, recognised directly in equity	-	(736,508)	(736,508)
Balance at 31 December 2018	3,876,359	180,494	4,056,853

The notes form part of these financial statements

**Notes to the Financial Statements
for the year ended 31 December 2018**

1. STATUTORY INFORMATION

Hammars Hill Energy Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in sterling and have been prepared on a going concern basis under historical cost convention.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover relates to the sale of electricity and related income and is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is not recognised until the significant risks and rewards of ownership of the electricity have passed to the buyer and the amount of revenue can be readily ascertained.

Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at the following annual rates in order to write off the cost of each asset less its estimated residual value over its expected useful life.

Short Leasehold	- 5% on cost - straight line
Equipment	- 5% on cost - straight line

**Notes to the Financial Statements - continued
for the year ended 31 December 2018**

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Notes to the Financial Statements - continued
for the year ended 31 December 2018**

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Operating leases

Costs relating to operating leases incurred prior to commissioning are included in Tangible Fixed Assets. From the date of commissioning, operating leases are charged to Profit and Loss Account as incurred.

Impairment of Assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Directors' remuneration

All payments for services provided by Directors as directors are charged to Profit and Loss Account as Directors' Remuneration. Other services not in connection with the management of the company are charged as appropriate to Tangible Fixed Assets or Profit and Loss Account.

Decommissioning costs

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and the corresponding adjustment to plant and equipment. The unwinding of the discount on the decommissioning is included as a finance cost.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 2 (2017 - 2).

4. OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation - owned assets	<u>313,244</u>	<u>312,827</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2018

5. TANGIBLE FIXED ASSETS

	Totals £	Land and buildings £	Plant and machinery etc £
COST			
At 1 January 2018	6,252,175	939,376	5,312,799
Additions	10,874	-	10,874
Disposals	(924)	-	(924)
At 31 December 2018	<u>6,262,125</u>	<u>939,376</u>	<u>5,322,749</u>
DEPRECIATION			
At 1 January 2018	2,236,583	336,157	1,900,426
Charge for year	313,244	46,969	266,275
Eliminated on disposal	(739)	-	(739)
At 31 December 2018	<u>2,549,088</u>	<u>383,126</u>	<u>2,165,962</u>
NET BOOK VALUE			
At 31 December 2018	<u>3,713,037</u>	<u>556,250</u>	<u>3,156,787</u>
At 31 December 2017	<u>4,015,592</u>	<u>603,219</u>	<u>3,412,373</u>

Included in the above are historical finance charges, including interest and bank charges, amounting to £50,346 at cost.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade Debtors	111,126	134,161
Sundry Debtors	445,095	446,234
Prepayments	67,523	70,236
	<u>623,744</u>	<u>650,631</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade Creditors	5,465	19,475
Tax	141,590	191,722
VAT	84,411	94,194
Accrued Expenses	135,060	142,887
	<u>366,526</u>	<u>448,278</u>

8. CONTINGENT LIABILITIES

The company had contingent liabilities in connection with guarantees and assurances provided in connection with financial and other arrangements associated with the construction and decommissioning of the windfarm on Hammars Hill. These liabilities have not materialised in the construction phase and the decommissioning bond will defray part of the costs related to any final decommissioning of the site.

**Notes to the Financial Statements - continued
for the year ended 31 December 2018**

9. OTHER FINANCIAL COMMITMENTS

The company has entered into a lease agreement with the landowner R & M Jenkins Limited, on whose land the wind farm is situated, for a period ending no earlier than 30 April 2030.

Annual commitments under the terms of the lease are variable and are calculated as 10% of net turnover per annum but subject to an escalating minimum payment rising annually by £5000 from a base level of £45000 to a maximum of £75000.

Payments under the terms of the lease during the year amounted to £173,530 (2017 - £200,819).

10. RELATED PARTY DISCLOSURES

During the year, total dividends of £18,725 (2017 - £27,595) were paid to directors, on the basis of their respective shareholdings.

A B Gray
Company Director

Accounting and other services of Alistair Gray, CA and providing the services of Alistair Gray as a Director £33,010 (2017 - £31,771).

Fees of £18,425 (2017 - £18,510) for research costs via Gray Associates.

N C Gray
Company Director

Directors Remuneration, operated through PAYE £33,010 (2017 - £31,761).

Fees of £6,754 (2017 - £nil) for research costs via Neil Gray.

Orkney Sustainable Energy Limited
A company owned by Richard Gauld, Company Director.

Technical advice and services to the company and also the services of Richard Gauld as director £25,513 (2017 - £24,419).

Fees for telemetry costs via Orkney Sustainable Energy Ltd £nil (2017 - £1,101).

Mrs S M Shearer
Company Director

Services to the company as Director and Company Secretary £17,606 (2017 - £16,946).

D A Heddle
Company Director

Directors Remuneration, operated through PAYE £13,204 (2017 - £12,708).

Fees paid to Heddle Construction, a company controlled by D Heddle of £4,059 (2017 - £nil).

11. ULTIMATE CONTROLLING PARTY

The company is under the control of the members as a whole, none of whom have ultimate control.

Hammars Hill Energy Limited (Registered number: SC301103)

**Trading and Profit and Loss Account
for the year ended 31 December 2018**

2017			2018	
£	£		£	£
		Turnover		
	1,002,561	Sale of Power	823,345	
	1,077,395	Other Sales Income	980,421	
2,079,956				1,803,766
		Cost of sales		
	11,711	Site Management	12,309	
	18,000	Operating Support Charge	18,000	
	397	Meter Operating Services	399	
	3,715	Generation use of System Chg	3,513	
	138,368	Maintenance	168,873	
	76,955	PPA Management Fee	72,881	
249,146				275,975
1,830,810		GROSS PROFIT		1,527,791
		Other income		
2		Deposit Account Interest		80
1,830,812				1,527,871
		Expenditure		
	214,923	Rent	187,739	
	72,043	Rates and Water	68,347	
	46,459	Insurance	43,223	
	3,237	Light and Heat	5,234	
	44,469	Directors' salaries	46,214	
	61,425	Directors' fees	63,820	
	898	Directors' social security	944	
	2,202	Pensions	2,071	
	5,932	Telephone	6,613	
	350	Post and Stationery	523	
	192	Travelling	234	
	5,848	Repairs and Renewals	4,627	
	408	Sundry Expenses	303	
	11,200	Community Benefit Payment	25,000	
	54,023	Project Costs	72,004	
	-	Accountancy	1,089	
	8,776	Professional Fees	1,335	
	920	Legal Fees	13	
	5,900	Auditors' Remuneration	5,200	
	3,386	Foreign Exchange Losses	1,319	
542,591				535,852
1,288,221				992,019
		Finance costs		
912		Bank Charges		946
1,287,309		Carried forward		991,073

This page does not form part of the statutory financial statements

Hammars Hill Energy Limited (Registered number: SC301103)

**Trading and Profit and Loss Account
for the year ended 31 December 2018**

2017			2018	
£	£		£	£
1,287,309		Brought forward		991,073
		Depreciation		
	46,969	Short leasehold	46,969	
	265,567	Plant and machinery	266,071	
	292	Office Equipment	204	
<u>312,828</u>	<u> </u>		<u> </u>	<u>313,244</u>
974,481				677,829
		Loss on disposal of fixed assets		
		Gain (Loss) on Disposal		185
<u>974,481</u>		NET PROFIT		<u>677,644</u>

This page does not form part of the statutory financial statements